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Some Mysteries of the Housing Market

The theory behind capitalism's 'free' market system is that if prices are left alone, in time supply will balance out against demand, and vice versa, so as to arrive at a sort of 'equilibrium'. In that happy state, seldom if ever actually achieved, the number of houses on the market would match the number of buyers and all houses would sell at an 'affordable' price.

That of course is not the situation in Britain now. On the one hand we have workers' homes being repossessed: the figure for repossessions rose by 30%, from 10,800 in Jan-June 2006 to 14,000 in the first six months of 2007 (INDEPENDENT, 4 August 2007). As most of these domestic disasters took place before the recent increases in the interest rate, and as the Bank rate is expected to be raised to 6% by autumn, it is predicted that the end of year figures will show many more such miseries.

At the same time, however, house prices have been rising steeply in recent years, especially in London and the Home Counties, but also in many other parts of the country: the average house price is now almost eleven times the average wage. The National Housing Federation - the construction industry's pressure group - announced that in the next five years the average house price is expected to rise to over £300,000 .

According to the NHF, this indicates the need to build 3 million more houses by 2020 (BBC Ceefax, 6 August 2007). Accordingly they are putting pressure on the government, demanding that much more land should be 'released' to build on. The government in turn puts pressure on local councils to grant planning permission to developers, even when there is strong local opposition. In many places, pubs are going the way of many petrol stations: knocked down so as to build more housing or flats. School playing fields, parks, hospitals: nothing is safe from the greed of developers.

Under John Prescott's 'Pathfinder' scheme, compulsory purchase orders are being used to knock down Victorian terraced housing, with the claim that this is "unfit for human habitation". The developers then move in and build, cherry-picking those precious sites overlooking a park, where they can expect to get a high price from new buyers of luxury housing. This is one way in which the average price of housing is being ratcheted up.

Mortgage Misery

Actually, the lifetime cost to a worker on an average wage or salary of buying a house or flat at the average price is much higher than the NHF suggests.

Remember, to buy a house or flat, one has to do it on a mortgage: no way can the average worker actually afford to buy one cash down. Such workers will be paying interest on the money lent for a long time, usually over a period of at least 25 years - i.e. through roughly half their working life. These lucky 'home-owners' will also pay the whole cost of decorating and maintenance, including all the DIY work done in their spare time.

Assuming they work from about the age of 20 to around 70, i.e. for about 50 years, the buying price of that house (at about 11% of the average wage) would be more than 20% of their lifetime earnings, and that is even before you add on to allow for the amount of compound interest being paid over to the bank or building society throughout the period of that mortgage.

Moreover, borrowers are in a weak position when negotiating a deal. It is the lenders - the banks - who hold the whip hand. In the housing and mortgage market, borrowers are fairly desperately trying to find a roof for their family, somewhere to live, and, because of the need to live within reasonable travel distance to their jobs, cannot choose to live where housing is cheapest. They are also relatively inexperienced and uninformed about finance.

Lenders however are under no such pressures: they are well informed, can choose whether to lend or not, and under what conditions. So it is the lenders - the banks - who decide what sort of deals will be struck. Borrowers are usually forced to accept whatever deals are on offer.

The Repossession Nightmare

On average, the Council of Mortgage Lenders calculates that the long-term annual average number of mortgages being foreclosed, with people losing their homes, runs at 20,000 (INDEPENDENT, 4 August 2007). That sad statistic peaked in July to December 1991, with 39,000 repossessions.

Since then the total number of mortgages in force has risen from 9.8m in 1991 and 10.8m in 1999, to 11.8m now. This means that, even after the horrors of the 'negative equity' period, when house prices fell so sharply that workers needing to move would find their house could only be sold at a loss: even after that, the increase in the number of mortgages shows that there is huge pressure on workers to 'invest' in this volatile and shaky market.

But what of those who cannot afford to buy at these high prices? The Labour government used to have a policy requiring builders to include a percentage of "affordable housing". But a recent redrafting of PPS 3 (Planning Policy Statement 3) has apparently dropped any penalties and so this is no longer a requirement.

Council housing once accounted for about 40% of new housing: it is now only about 1%. In some places, e.g. Gordon Brown's home town, council housing is being knocked down with private housing built in its place. Around the country, lots of luxury flats are being built - yet around 40% of these flats remain empty.

Land Hoarding

In all markets, where prices seem to be rising, it is possible that there may be an element of speculative hoarding. It was just such speculative hoarding of rice that led to the Great Bengal Famine in World War Two, with a huge loss of life: people were starving as food prices soared, though plenty of grain was hoarded in granaries and silos. In Britain, a major reason for rising house prices is the high and rising cost of land.

So it comes as no surprise to find that developers, who are apparently crying out for more land, are actually sitting on land banks, land with planning approval already agreed: enough land on which they could build 225,000 new homes (reported by Andrew Gilligan, DISPATCHES, Channel 4, 30 July 2007).

That this speculative land hoarding by developers is a fact, not just a nasty rumour, was admitted by the Housing Minister, Yvette Cooper:

We are consulting on proposals to deter developers from seeking planning permission and then sitting on land without bringing forward new homes.

So much for the developers' frantic appeals to the government and local councils to 'release' more land to build on. The fact is that, by hoarding this vast acreage with planning approval already agreed, developers are manipulating and pushing up the price of building land. As the DISPATCHES programme showed, houses which might cost only £60,000 in building costs would cost over £200,000 to buy: i.e. the majority of the price of any new house is down to the high cost of the land. So if the price of land goes up, so too does the price of housing.

It's a case of screw the workers. If their 'average wage' is not enough for them to pay off their mortgages, they will either have to take a second - or even a third - job, as many do, or their homes will be repossessed. And it is usually the awful fear of not being able to meet their mortgage repayments that keeps so many workers stuck at the treadmill, fearful of changing their jobs, in case they and their dependents become homeless.

Who profits?

All this misery so as to ensure that land owners, developers, construction companies, estate agents etc, can make high profits. Likewise the banks, and other lenders and loan sharks.

As Marx commented: not every purchase implies a sale. This developing crisis in the housing market has been engineered by various factors: the decline in house building, especially in council housing for those who cannot afford to get a mortgage; substantial land bank hoarding; and speculative building, backed by the government in cahoots with the developers and construction firms.

Capitalism's laws of supply and demand result in speculation and hoarding, and a variety of other ruses to manipulate market prices. So much for the 'free market' and competition. So who says capitalism works?

What capitalism cannot produce is housing to satisfy people's needs. Like all businesses, the housing industry responds to 'economic demand': if you cannot afford a house, you must go homeless, squeeze into a flat or bed-sit, move back in with Mum, or share with friends. And many do. The housing sector shows up the failings of capitalism: with its luxury building at one end and jerry-built slums of the future at the other end of the spectrum, it reflects social inequality. Even THE ECONOMIST admits that: "*Too many of the new homes turned into new slums and had to be demolished*" (28 July 2007).

With its price-fixing and land speculation, the housing market's failings demonstrate the fallacy of the 'free market' theory of capitalism, so popular with the government. So long as houses and flats are built as commodities, to be exchanged and sold on the market for profit, so long there will be a housing problem. There will always be some who cannot afford the asking price, who lose their job and cannot keep up with mortgage repayments, whose homes get repossessed, and who become homeless.

What capitalism cannot do is operate on the commonsense Socialist principle: *from each according to their ability, to each according to their needs*. For if it did, it would have ceased to be capitalism and would instead be Socialism.

THE SOCIAL AND ECONOMIC CAUSE OF CRIME

Hardly a week goes by without a horror story in the press - teenagers in gangs carrying guns and knives, with even young children caught up in a crime wave. But no-one seems to connect this to the poverty and cramped housing of the working class, and the pressure on both parents to be at work, to pay off mortgages or save themselves from the humiliation of the State 'benefits' system. Not new, this, as Engels noted in 1844:

Thus the social order makes family life almost impossible for the worker... And children growing up in this savage way... are expected to turn out goody-goody and moral in the end!... The contempt for the existing social order is most conspicuous in its extreme form - that of offences against the law.

THE CONDITION OF THE WORKING CLASS IN ENGLAND, Chap 5 - Results

Labour Fails the Unemployed

In an article in the DAILY MAIL, "*New Deal is just a £3b revolving door for the jobless*" (1 August 2007), readers were told that the Labour government's welfare-to-work policy was "*an expensive revolving door*": workers going onto the programme and then, once no sustained employment was forthcoming, going back into unemployment again. The consequence of the failed reform measure was that hundreds of thousands of workers went straight back onto benefits after leaving the scheme. Official figures show more than half a million unemployed - a quarter of the total - have been through the New Deal more than once. The figures show that 543,750 workers have been through the scheme twice, 171,290 three times, 11,900 five times and 10 workers ten times.

The reforms have been an abject failure. More than 1.2 million young workers aged between 16 and 24 are not in work or in full-time education - more than in 1997 when Labour came to power. The New Deal has also failed to eradicate long-term youth unemployment, with 178,000 18-24 year olds remaining unemployed for more than six months.

According to the DAILY MAIL article, the booming economy has created four-fifths of the jobs not the Labour government reform. In short capitalism goes its own way; employs workers when it is profitable and makes them redundant when they are not profitable to employ. THE DAILY MAIL, of course, wanted to use the failure of Labour's New Deal either to blame lazy, stupid workers for unemployment, or immigration. Both explanations are wrong.

Marx gave the real reason for long-term and short-term unemployment; capitalism:

... it is capitalistic accumulation itself that constantly produces, and produces in the direct ratio of its own energy and extent, a relatively redundant population of labourers, i.e., a population of greater extent than suffices for the average needs of the self-expansion of capital, and therefore a surplus-population...

... the increase of the variable part of capital... is always connected with violent fluctuations and transitory production of surplus-population, whether this takes the more striking form of the repulsion of labourers already employed, or the less evident but not less real form of the more difficult absorption of the additional labouring population through the usual channels...

[This surplus-population] forms a disposable industrial reserve army, that belongs to capital quite as absolutely as if the latter had bred it at its own cost... it creates, for the changing needs of the self-expansion of capital, a mass of human material always ready for exploitation.

CAPITAL VOL. I, *The General Law of Capitalist Accumulation*, Chap. 25, section 3

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Is Capitalism Safe and Well?

Defenders of capitalism proclaim Marx a "*dead-dog*" but they continually have to confront what he said about capitalism. More often than not they pin onto Marx ideas he never held. Lord Rees Mogg constantly jumps at the chance to falsify Marx's understanding of capitalism. Recently he claimed that Karl Marx believed that capitalism would collapse under the weight of its own contradictions.

Rees-Mogg wrote:

Karl Marx thought that capitalism would eventually collapse because of its inherent contradictions. If one considers that capitalism was created by the Italian Bankers of the Renaissance period, capitalism is about 700 years old, and it has not collapsed yet

CAPITALISM IS SAFE AND WELL (PROBABLY), 30 July 2007

Rees-Mogg's article was written during the end of July this year when the global stock-markets went into a temporary

nose-dive with losses of some 5 to 7%. Some defenders of capitalism see dramatic falls in the Stock Market as a harbinger of an economic depression; fears of a 1929 crash. However, the last major Stock Market crash in 1987, when shares fell by 23%, did not result in an economic crisis: that occurred some years later, in 1992/3, under the John Major Government when unemployment was over 3 million.

Rees-Mogg's article went on to erroneously claim that the 15th century Medici bankers were the creators of capitalism. He misunderstood what Marx meant by contradictions within capitalism and his explanation of why they are temporarily resolved by an economic crisis. He displayed a superficial approach to economic analysis by concentrating on appearances, rather than the underlying factors within commodity production such as the contradiction between use-value and exchange-value. And he totally ignored the one social force capable of abolishing capitalism: the world's working class. Is this the best the capitalist class has to offer to defend their system of class exploitation?

Capitalism's History and the Development of British Capitalism

Marx stated, in his preface to the first edition of *Capital*, that he set himself the task of examining "*the capitalist mode of production, and the conditions of production and exchange corresponding to that mode*". For Marx, the place to illustrate his study of capital was Britain, not 15th century Italy. And he went on to point out that "*the country that is more developed industrially only shows, to the less developed, the image of its own future*".

Capitalism in Britain did not always exist. Prior to capitalism the predominant class relationship was feudal.

In 1837 Blanqui, a French economist, referred to the fact that Britain had undergone an "*industrial revolution*" towards the end of the 18th century. This term also appeared in *THE CONDITION OF THE WORKING CLASS IN ENGLAND* (1844) by Frederick Engels. The expression was popularized in the 1880s by Arnold Toynbee and others.

Marx brought to his study of capitalism the materialist conception of history, the labour theory of value, and the political concept of the class struggle. These two quotations from Marx are useful when studying the development of British capitalism. First, "*the motor force of history is the class struggle*" (*COMMUNIST MANIFESTO*, 1848). Second:

At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production... From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution

Preface to A CONTRIBUTION TO THE CRITIQUE OF POLITICAL ECONOMY, 1859

Marx showed by numerous examples the development of British capitalism: "*capital comes [into the world] dripping from head to foot, from every pore, with blood and dirt*" (*CAPITAL*, VOL. I, Chap. 31). Marx's theory of history and class struggle can give the following factors (by no means exhaustive) some overall coherence. First, Britain had large deposits of the necessary raw materials, particularly coal and iron ore.

Second, the Enclosure Acts, from the 15th century onwards, generated a propertyless working class, driven off the land, forced into towns and onto the labour market, on pain of starvation and death. The peculiarity of this class was that their mental and physical ability to work took the form of a commodity; labour power. As Marx wrote, "*the expropriation of the agricultural producer, of the peasant, from the soil.*" (*CAPITAL* VOL. 1, chap XXVI) was the basis of the development of the capitalist mode of production

Third, Britain's overseas empire, through control of trade routes and strategic points of influence, was also growing during this period. The main base for the English slave trade was Jamaica which was captured in 1655. The ending of the Royal African Company's monopoly in 1698, coupled with the increasing growth of sugar plantations in the West Indies, led to a rapid expansion of the British slave trade and the growing importance of ports such as Bristol and Liverpool. Liverpool thrived on merchants' overseas investments, specialising in tobacco and slaves. Over 100 ships a year were leaving Bristol on the slave trade, with capacity for about 30,000 slaves. "*Slaves were the precious life-blood of the West-Indian economy where King Sugar reigned and in which £70m had been invested by 1790*" (R Porter, *A Social History of Britain in the 18th Century*, p. 51) This was advantageous, as it was a source of valuable

raw materials, primitive capital accumulation, and also a world market in which to sell commodities.

Fourth, a stable political atmosphere in Britain following 'The Glorious Revolution' encouraged the development of fixed industries, like mills, coal mines and iron foundries. The dominant idea was laissez-faire. Adam Smith's book, THE WEALTH OF NATIONS, published in 1776, had a strong following, even among the landed classes, some of whom either leased land to early capitalists or directly invested in the enterprises.

Fifth, transport developments, like roads, canals and railways, were also encouraged by political stability. There had been no major conflict on British soil since the Civil War of the mid 17th century, unlike the French Revolution at the end of the 18th century, with the subsequent wars all over the continent of Europe. Despite the Chartists, there were not the revolutionary upheavals in Europe following 1848.

Sixth, with the growth of banking facilities, capital was available to finance industrial projects. Lloyds of London had grown out of the Coffee Houses providing some protection to capital.

And seventh, military conquest. The first Dutch War in the 17th century opened India and the Far Eastern Trade to English merchants. The second Dutch war opened West Africa and the slave trade. The war of Spanish Succession won for England the coveted *Asiento*, the monopoly of supplying slaves to the Spanish American Empire, which France had tried to secure for her merchants by annexing Spain.

Note, for the industrial revolution and capitalism to develop, these interconnected strands were all present in Britain. Italy at the time of the Medici bankers was feudal and remained a largely peasant country right up until the middle of the 19th century. In fact; a sizeable portion of the Medicis' wealth did not go into capitalist investment but went into building palaces, churches and, in Florence, their own mausoleum designed by Michelangelo.

When Marx and Engels wrote THE COMMUNIST MANIFESTO in 1848, most of Europe was feudal. Capitalism, as a developed world-wide system, is in fact a 19th and 20th century system, not very old in comparison to previous social systems.

What Marx meant by contradictions

In Rees-Mogg's article his use of the term "*contradictions*" is not Marx's, which has a wholly different meaning and application to capitalist production. Marx's discussion of the contradictions found in capitalism is located throughout the three volumes of CAPITAL and THEORIES OF SURPLUS VALUE.

The existence of money, for example, exposes the contradiction between the use value and exchange value of a commodity:

... the exchange of commodities implies contradictory and mutually exclusive conditions. The differentiation of commodities into commodities and money does not sweep away these inconsistencies, but develops a modus vivendi, a form in which they can exist side by side. This is generally the way in which real contradictions are reconciled. For instance, it is a contradiction to depict one body as constantly falling towards another, and as, at the same time, constantly flying away from it. The ellipse is a form of motion which, while allowing this contradiction to go on, at the same time reconciles it.

CAPITAL VOL 1, chap III - 2(a)

When discussing simple commodity production and the possibility of crisis, Marx noted that under capitalist production and exchange for profit there is a major problem within the act of buying and selling:

... no one is forthwith bound to purchase, because he has just sold... if the split between the sale and purchase becomes too pronounced, the intimate connexion between them, their oneness, asserts itself by producing - a crisis

CAPITAL VOL. 1, Chap. III - 2(a)

And later, when discussing commodity production on an extended scale, he noted that:

"the possibility of crisis... lies solely in the separation of sale and purchase

(THEORIES OF SURPLUS VALUE, Volume II, p. 508)

He also argued that it is in the nature of capitalist production to be anarchic, uncontrollable:

The whole aim of capitalist production is appropriation of the greatest possible amount of surplus-labour, in other words, the realisation of the greatest possible amount of immediate labour-time with the given capital, be it through the prolongation of the working-day or the reduction of the necessary labour-time, through the development of the productive power of labour by... mass production. It is thus the nature of capitalist production to produce without regard to the limits of the market.

THEORIES OF SURPLUS VALUE, Volume II, p.522

The principal contradiction within capitalism, highlighted by Marx, was the problem associated with the forces of production - including workers - coming up against the narrow constraints imposed on production by the social relations of production.

This stems from the general conclusion Marx reached about social systems of class exploitation like capitalism which he set out in the *Preface* to A CONTRIBUTION TO A CRITIQUE OF POLITICAL ECONOMY. Capitalism strove for the unfettered development of the productive forces, but it was continuously coming up against barriers necessarily produced by the system itself.

For example, in his discussion on "the fright of the English economists" over the falling rate of profit, Marx noted: *What worries Ricardo is the fact that the rate of profit, the stimulating principle of capitalist production, the fundamental premise and driving force of accumulation, should be endangered by the development of production itself... It is here demonstrated in a purely economic way, that is, from, a bourgeois point of view,... from the standpoint of capitalist production itself, that it has a barrier, that it is relative, that it is not an absolute, but only a historical mode of production corresponding to a definite and limited epoch in the development of the material relations of production.*

... crises are always but momentary and forcible solutions of the existing contradictions, violent eruptions, which restore the disturbed equilibrium for a while.

The contradiction, generally speaking, consists in this that the capitalist mode of production has a tendency to develop the productive forces absolutely, regardless of value and of the surplus-value contained in it and regardless of the social conditions within which capitalist production takes place;

... while the capitalist mode of production is one of the historical means by which the material forces of production are developed and the world-market required for them created, it is at the same time in continual conflict with this historical task and the conditions of social production corresponding to it. CAPITAL VOL. III, chap. 15, sections 2 and 3

And what are the periodic consequences of these contradictions when the crisis passes into a trade depression? Well, here is one consequence: despite the potential of the forces of production to meet the needs of all society, millions of people world-wide have unmet social needs while at the same time there exist mass unemployment, under-used means of production, and unsaleable goods. All due to the capitalist social relations of production, and the anarchy of commodity production and exchange for profit.

Marx and Crises

Did Marx hold a collapse theory of capitalism? No, he did not. Crises, for Marx, highlighted the contradictions of capitalism; generated not in stock exchanges or financial markets, contemptuously referred to by Marx as "*fictitious capital*", where William Rees-Mogg locates them, but in commodity production and the formation of surplus value through the exploitation of the working class.

Capitalist production develops in cycles passing through a crisis, depression, trade revival, boom and then to a crisis again. Marx paid particular interest to a crisis since it is the decisive feature of the trade cycle and determines the subsequent movement of capital. Economic crises are the connecting points of the main contradictions of commodity production and exchange for profit.

From understanding economic crises, Marx was able to study the movement of capital through the other phases of the

trade cycle.

Marx, for example, did not believe that under-consumption of commodities was an adequate explanation of crises, noting, for example, that it was a "*pure tautology*" to claim that crises were caused by lack of "*effective demand or effective consumption*". He rejected the idea that raising wages would help minimise the problem, and noted that crises were usually preceded by an increase in real wages, whereas according to writers like Sismondi and Rodbertus, such an increase should stop an economic crisis (CAPITAL, VOL. II, p.486).

In dislocating the forces of production (through depreciation of capital, unemployment, fall in prices and in the rate of profit, destruction of commodities, and reduction of output), capitalist production, in the face of real social need and for a brief time, is reined back to the narrow restrictions imposed by the social relations of production.

Reading Marx, it is clear that there can be no collapse of capitalism because, for Marx, crises are a temporary solution to the contradictions found in commodity production. In fact, Marx himself stated, in a footnote to Ricardo's *theory of accumulation*: "*permanent crises do not exist*" (THEORIES OF SURPLUS VALUE, Vol. II, Part 2, p. 497). On the effects of the factory system, he wrote:

The life of modern industry becomes a series of periods of moderate activity, prosperity, over-production, crisis and stagnation.

CAPITAL VOL. I, chap XV - (7)

Unlike Marx, it was the Left who held a collapse theory of capitalism, either stating that crises would get worse and worse or that the trade cycle would become periodically so short that capitalism would come to a grinding halt (see the *Introduction* to WHY CAPITALISM WILL NOT COLLAPSE, SPGB pamphlet).

If capitalism were to collapse, crises would play no central role in the trade cycle. The temporary resolution of contradictions caused by an economic crisis allows commodity production to move again. Of course, crises do not permanently resolve the contradictions of capitalist production. Only the conscious and political action of the working class can resolve the contradictions by abolishing capitalism and establishing Socialism. And Socialist political action should take place throughout the trade cycle. Workers have as little interest in capitalism when it is booming as when it is in crisis or depression.

Capitalism's Gravediggers.

This brings us onto the question: is capitalism safe and well? An economic crisis, by itself, does not appear to raise socialist consciousness to any great degree. True, there has been a greater interest in Marx's writings during depressions and times of high unemployment but that has not been sufficient to create Socialists in any great numbers. There is no reason to suppose that Marx ever believed they would.

The main beneficiaries of economic crisis and stagnation during the Great Depression at the end of the 19th century, the Depression of the 1930s, and the more recent ones during the 1970s, 1980s and 1990s, have been political reaction and fascism.

Capitalism is safe and well as long as the world's working class continue to vote for capitalist politicians. Nevertheless, Marx highlighted the working class as the only social force which could resolve the contradictions found in capitalism. He referred to them as capitalism's gravediggers.

What the bourgeoisie, therefore produces, above all, are its own grave-diggers... Of all the classes, that stand face to face with the bourgeoisie to-day, the proletariat alone is a really revolutionary class

THE COMMUNIST MANIFESTO;

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Poverty in the United States

Four decades after President Lyndon Johnson declared war on poverty, more than 37 million people in the world's richest country are officially classified as poor. Since 2004, according to government statistics, 1.1 million Americans fell below the poverty line. That equals the entire population of a big city like Dallas or Prague. Since 2000, the ranks of the poor have increased, year by year, by almost 5.5 million in total.

President Johnson had said: "*Unfortunately, many Americans live on the outskirts of hope, some because of their poverty, and some because of their colour, and all too many because of both... This administration declares unconditional war on poverty in America*". That was in 1964. Then 19 per cent of the population lived below the official poverty line. That declined over the next four years, and in 1968 it stood at 12.8 per cent. In 2004 it was at 12.7 per cent. Now, 24.7 per cent of black Americans live in poverty, almost twice as high as the overall rate for all races. Another president, the late Ronald Reagan, had it right when he said, in 1988: "*The Federal Government declared war on poverty, and poverty won*" (THE AGE, October 2005).

Poverty is a universal problem, as is inequality. The world's 500 richest people, according to UN statistics, have as much income as the world's poorest 416 million. Another example of capitalism's failure to meet human needs.

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Correspondence

E-mail from Teemu Ruskeepaa, Finland:

I admire the Declaration of Principles of SPGB for being so logical and correct. I have even translated it into Finnish and put it on the Finnish suomi24 forum and my current party's Left Alliance forum. It is good that there exists a group of Marxists who represent the original manifesto rather than the contemporary and less valuable hobbies such as anti-war, full employment, or social security. In Finland we don't have any organization that is capable of maintaining conceptual accuracy to Marx, but I'd like to make it happen in the Finnish politics. I'm also interested joining my party to the World Socialist Movement, but as of now I'm completely alone with this ideology due to a problem described below.

It is unfortunate that you have been separated from the SPGB, because now you don't enjoy the status of an established ideology. Rather you are in the marginal of that ideology. This is why you should stop all comparisons to that ideology and just present your ideology. Its good you have finally formed this party and not try to "hijack" their web pages. Now you should make your declarations, programs, home pages and such at least as informative, practical and public as they have. You don't seem them yet. If you don't, your publicity and support will suffer. Try to present your ideology as clearly and publicly as the SPGB and all the other parties.

Another thing I'd like to say to you concerns the Clause 6. I disagree with both of you. I think we shouldn't vote against the reforms which are in the interest of the working class but support them, we shouldn't vote against those which aren't but to endorse them, and we should use the "capitalist" parliament to make reforms to the democratic system which are unforeseen. The real challenge is to come up with a useful or effective democratic reform.

The fragmentation of yours and ours is actually the result of this lacking. We can't debate even amongst ourselves which leads to fragmentation -the last resort. I'd say that the most urgent problem in all social aspects is the lack of debate opportunities. Even our Parliaments can't debate things thoroughly and the politicians just settle for forcing their own will. If rejoining is possible for The SPGB, you should show your allegiance to SPGB when they demand it, but as critics not to give up but to create the channels you need to influence them. Settle the issue, if you are democratic. The debate can reunite everyone. All the left parties shall actually be able to unite. The capitalist democratic political system should be used but it should expanded to allow the debate.

We can't use the parliament per se to get our representatives to overthrow the system, because representation as it is undemocratic. You can't determine the will of the working class if you don't have representatives who have been

selected by it.

It is not enough that some of us who work in parties choose them. The purpose of democracy should be to empower people. We should create this new kind of debate culture on grass-root level and by going to the parliament. The current voting system doesn't let people to understand nor control representatives. By using representatives to make usual laws will de facto be guilty of the same plutocracy we are trying to replace. Representatives are not impossible but they are more difficult to use as the will of the people. The former is better because the representative system is not as effective as participatory democracy.

The creation of popular debate is the stage that is missing from Clause 6, not the definition of how to make laws. Since socialism is an economic form of democracy, real democracy, which will make all leadership obsolete is the only way to create socialism. The debate could replace that. The overthrowing capitalism and the foundation of socialism will be the natural result of the will of the people, who will become "unstratificated" as they gain political rights. This is a required step to make means of production run by the people. Socialism is an idea of how things would work in a democratic society, not a value in itself. This also seems to correlate with Clause 5. And this also is my definition for "emancipation". All should be able to define whether we need socialism before we decide to it. And I'm sure that they will. These are my videos on You Tube about socialism. I recorded them before I found out about the SPGB.

Our Reply

You state that "you admire" the DECLARATION AND PRINCIPLES of the Socialist Party of Great Britain. However, it is not sufficient to admire the OBJECT AND DECLARATION AND PRINCIPLES. They have to be understood, defended and agreed with.

You are wrong to believe that because we were expelled from the Clapham-based Socialist Party that we somehow "lose" access to the Object and Declaration of Principles. It is precisely because we took political action in the name of The Socialist Party of Great Britain as required by CLAUSE 8 of the Principles that we were expelled and were forced to reconstitute The SPGB in June 1991. The Object and Declaration of Principles has no copyright and has no legal ownership. We hold onto and disseminate the socialist ideas of the founders of the SPGB and this is reflected in our published literature, like The SPGB and on our web site.

You state that you have an objection to Clause 6 of the Object and Declaration of Principles. You state that there are "reforms" which should be supported although you do not list these reforms. You had earlier congratulated the SPGB for not pursuing reforms regarding the war in Iraq and full-employment. War can only be abolished with the establishment of Socialism where there exists no nation States, buying and selling of commodities, and struggle for raw resources, spheres of influence and trade routes.

We agree with Marx that unemployment flows from periodic trade crises and workers being sacked when it is not profitable to employ them

This brings us on to your misguided belief that supporting democratic reforms will somehow enable Socialists to be noticed and unify "the left parties".

There is only one real challenge Socialists face and it is not the lack of "democracy" found in capitalism, although that doesn't help. The political challenge is to end the support given by the non-socialist working class majority to capitalist political parties. Only socialist understanding can arrest this problem not reforms or greater democracy. And nor is it dependent upon socialists alone. The greatest recruiting sergeant is capitalism itself. As Marx noted in THE COMMUNIST MANIFESTO, capitalism creates its own gravediggers.

In fact, a list of reforms to attract workers to social democratic parties was tried in the late 19th century and was an abject failure. Workers were attracted to reforms not the case for Socialism. We have learnt by bitter experience that that Socialist case has to be centred on the Socialist object and not be diverted into support for "democratic movements" as is the official policy of the Clapham-based Socialist Party.

And what use for the working class are "*the left parties*"? They support nationalisation (state capitalism), reforms, Leninist ideas around "*vanguardism*" and leadership, opportunism, and the support of nationalist groups who happen to be against the US. The "*left Parties*" of capitalism should be avoided by the working class. Instead workers should look to their own political interest and should work for the establishment of socialism and only socialism.

We reject the view that socialists should be politically represented by capitalist politicians and this forms no part of the meaning to Clause 6. We believe that Socialists can think and act for themselves.

What we do say is that socialists can delegate to other socialists and remove those who do not carry out the will of the majority. This applies to any democratic decision making process including the way socialist delegates will act within Parliament.

Once a socialist majority exists they can send socialist delegates to Parliament so that it can be used in a revolutionary way to abolish capitalist production for profit and be replaced with socialist production for social use.

It is vital that a socialist majority conquers the power of government so that the machinery of government cannot be used against socialists establishing common ownership and democratic control of the means of production and distribution by all of society.

You should not isolate one clause from the others. The OBJECT AND DECLARATION AND PRINCIPLES is a tight, logically argued case. It analyses capitalism, shows why it can never be made to run in the interest of the working class, identifies the working class as the only class who can resolve the problems thrown up by capitalism, and sets out a consistent political programme for a socialist majority to gain political power, abolish capitalism and establish socialism. There is no 'missing link'. The only missing link is your admiration for the OBJECT AND DECLARATION AND PRINCIPLES, and your understanding and accepting the Declaration of Principles as a Socialist.

Editorial Committee

Capitalists, Workers and Their 'God'

Machine production, which makes the capitalist religious, tends on the contrary to make the proletariat irreligious.

If it is logical for the capitalist to believe in a Providence attentive to his needs, and in a God who elects him among thousands of thousands, to load with riches his laziness and social inutility, it is still more logical for the proletarian to ignore the existence of a divine Providence, since he knows that no Heavenly Father would give him daily bread if he prayed from morning to evening, and that the wage which produces for him the bare necessities of life is earned by his own labour; and he knows only too well that if he did not work he would starve, in spite of all the Good Gods of heaven and all the philanthropists of earth. The wage worker is his own providence. His conditions of life make any other providence inconceivable for him: he has not in his life, as the capitalist in his, those strokes of fortune which might by magic lift him out of his sad situation. Wage-worker he is born, wage-worker he lives, wage-worker he dies...

If the wage-worker were to let himself be drawn into a belief in that God, whom he hears talked of without paying attention, he would begin by questioning his justice, which allotted to him nothing but work and [poverty: he would make the God an object of horror and of hate, and would picture him under the form of a capitalist exploiter, like the black slaves of the colonies, who said that God was white, like their masters.

Lafargue, SOCIAL AND PHILOSOPHICAL ESSAYS, p132

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The SWP and Scientology: What's the Difference?

This is what the scientologists believe: Man is an immortal, spiritual being. His experience extends well beyond a single lifetime. His capabilities are unlimited, even if not presently realised - and those capabilities *can* be realised. He is able to not only solve his own problems, accomplish his goals and gain lasting happiness, but also achieve new, higher states of awareness and ability.

What they don't tell you is that once you get to OT level III - a cost of around \$350,000 - that the evil galactic overlord Xenu, loaded up the excess population of the galaxy and flew them in DC10s to Earth or Teegack, then he deposited their bodies in or around volcanoes, and subjected them to nightly screenings of films, which convinced them of the existence of God, the Devil, heaven and hell. Then, once he was bored with this, he dropped atom bombs on them and their spirits are floating around. These spirits, thetans, invade our bodies and cause us problems. These have to be solved by expensive 'auditing'. Then, after this 'auditing', you would become 'clear' and be immune from colds, flu, accidents, etc, and your IQ will increase exponentially.

As for the SWP

Now, the SWP (Socialist Workers' Party) beliefs are no less dangerous. Whereas Scientology has been responsible for a lot of misery and suicides among its followers, it would be suicidal for the working class to follow the SWP in their attempts to overthrow capitalism by violent means and create a 'dictatorship of the proletariat' where the SWP leadership would rule over us. Benignly one hopes.

Their lunacy is to try to convince to working class that there is no parliamentary road to socialism. As the Scientologists hamper educational and emotional development in their followers, duping them into believing a religion that is nothing more than bad science fiction, the SWP also hamper class consciousness in their followers and sell the romantic fiction of barricades, Molotov-cocktails and workers' armies as the way to bring about socialism.

Like Scientology, the SWP has been exposed time and time again as a fraud and a fiddle. Scientology tells those it hopes to recruit that the world will end soon and that they will emerge to take over the world. The SWP also preach that the time for revolution is always now, and they will be our new rulers. Scientology is pseudo-science and the SWP are pseudo-socialists. I wouldn't waste any time or money on either. Best join the SPGB, an organisation of scientific socialists, without leaders or high priests.

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Blair and Brown: War and Poverty

Socialists have always seen the State as the political power of one class over another. It is not an above-the-fray institution that stands outside the conflicting class interests in society. It is the power of the owning-ruling class over the class that is ruled and exploited.

Here is a shortened quotation from Frederick Engels' work; THE ORIGIN OF THE FAMILY (for more detail, see Chap. 9). Capitalism needed:

... an institution which perpetuated not only this growing cleavage of society into classes, but also the right of the possessing class to exploit the non-possessing, and rule of the former over the latter. And this institution came. The State was invented.

The Labour Party (also the so-called Communist Party and various leftists) have popularised the falsehood that the State represents society as a whole and that nationalisation means ownership by society. Such myths blended well with their commitment to gain power as a government to run capitalism. They needed (and still need) a gullible working class, politically ignorant and willing to follow leaders.

The Labour Party's record, both in power and in opposition, has seen them supporting capitalism's inevitable wars. They have done incalculable harm to the cause of Socialism and to the working-class understanding of it.

It is also fundamental to the case for Socialism, that reformism, the legislation of reforms, cannot, does not, and has not changed the position of the working class as an exploited, non-owning class. Capitalism cannot work in the interests of its wage slaves. Only the ending of class-society and the abolition of the wages system can end exploitation, and the extremes of wealth and want. Reformist thinking follows from the myth that the State can legislate for the workers. Parties proposing reform policies are necessarily anti-working class and anti-Socialist. The Labour Party has always been such a party.

The Socialist Party of Great Britain (formed in 1904) has always unreservedly condemned the Labour Party at every level. As a party promoting leaders and fostering ignorance, with a hierarchy separated from the masses. As a party that promoted nationalisation as Socialism. As a party supporting wars, armaments, nuclear weapons and conscription as part of its commitment to capitalism. As a party of nationalism - it is now proposed that we have a "*British Day*" to line the workers up for capitalism. And as a party stuck in the mire of reformism against revolution and therefore completely anti-Socialist.

The Labour Party, either in coalition with the Tories and Liberals or in power itself as the government, has supported both world wars, and the wars in Vietnam and Korea. The lives of tens of millions of workers have been sacrificed to capitalism in these wars. The Attlee Labour government also maintained peace-time conscription for years after World War Two, the first such conscription for 100 years. Their huge rearmament programme in the post-war years was the largest in British peace-time history. It was that Labour government under Attlee which launched Aldermaston and started Britain on its way as a nuclear weapon power. It was only because they lost the 1951 general election that it fell to Churchill to continue what they had started. The SPGB said:
Never at any time in history has life been in such peril from the infinite destructiveness of war weapons"
LABOUR GOVERNMENT OR SOCIALISM? (1968,) p 28

Blair and his government have merely continued this suicidal insanity. He and the Labour government have been in logical harmony with all the war-mongering and nuclear-weapons policies of past Labour governments.

Historically, the Labour Party had done deals with the Liberal Party to gain votes for supporting Liberal policies; they have since replaced that Party as the alternative to the Tories for running capitalism. Today, they claim to be better at it than the Tories. Blair's legacy is what must be expected for any reformist after running capitalism for ten years.

The Tories claim to be Blair's true defenders with Shadow Chancellor, George Osborne, agreeing with Blair on the "*essentials of the way forward*" for public services. At the end of ten years, Ofsted reported a 5 per cent increase in the number of failing schools. Last term (the end of May) and The TUC having helped the Labour Party to power, has launched a commission to stamp out "*shocking exploitation*" of workers through low pay, long hours and unsafe conditions" (TELETEXT report, 31 May 2007).

Workers looking at the reality of Labour in power and having been sold the lie that nationalisation means Socialism, even today, still refer back to the brutal, Soviet, police-state dictatorship and failed reformism at home, and tar the Socialist Party of Great Britain with the same brush. We are made to pay for something we never advocated. "*You are all the bloody same once you gain power*", is the most often repeated calumny heard by SPGB members while working for Socialism.

Leaders Going Nowhere

The Labour Party has always had leaders and helped to perpetuate the myth that we must have leaders.

Workers are encouraged to follow leaders and, despite repeated disappointments, they switch allegiance from one failed personality to another. So it is with Blair and Brown, one gone, the other on his way - to nowhere. This succession of mediocrities, with the media playing salesman, simply gives capitalism a new lease of life. The man may fail "*but the system is all right*". The Labour Party's record is an object lesson second to none of the uselessness of leaders and leadership. Despite all their "*follow me*", "*trust me*" promises to do away with the worst effects of capitalism; poverty, unemployment, armaments, wars, penury in old age, housing problems and Health Service chaos

continue. Blair was not an aberration; he was in strict continuity with Labour's history of support for wars and armaments, and its utter dependence on the political ignorance of the working class.

Blair embodied and personified all the vilest attributes of leadership. This made him the favoured asset of the ruling class and a daily must-have for the capitalist media. Wherever he went, photo-opportunities were manufactured. His most feeble utterances were reported and televised. He was *par excellence* the product of the media age: someone totally separated from the masses who were expected to be gullible and manipulated in their role as the negative side of his daily photo-calls. Above all, he was capitalism's front-man, promoted for mass-consumption by the non-thinking.

Throughout his ten years, Blair was first Clinton's and then Bush's compliant yes-man, not only in wars that slaughtered many tens of thousands of people - mostly women and children, but also in Guantanamo and the secret rendition flights, involving extremes of perverse and brutal torture (see BBC 2 programme, *Mystery Flights*, 24 May 2007).

No wonder Blair could say (27 May) that it's a "*dangerous misjudgement to put civil liberties before fighting terror*" - a Stalinist "*justification*" for tyranny and dictatorship. The same day, Blair's Home Secretary, John Reid, was piloting through the sixth set of "*anti-terror*" laws. More police powers to stop and question, with refusal to co-operate carrying a £5000 fine or jail.

Not a word about why terror threats exist. A few examples suggest themselves. In his departure speech to the House of Commons, Blair expressed his continued support for the wars in Iraq and Afghanistan, saying: "*In Afghanistan and Iraq our troops are fighting for their country's security and way of life*" (27 May 2007). On the same day as it was reported on TELETEXT that the RAF was still bombing in Iraq; six people were killed in a raid in South Baghdad. It was reported (ITN, 24 April 2007) that Britain's ally, Israel, continues to use automatic weapons against children in occupied territory and eight to twelve year olds are arrested, manacled and put in adult prisons to stand trial. ITN made the point that all this is against international law.

No comment from Blair or Bush. In early June, Blair defended a £40 billion arms deal with Saudi Arabia as "*vital to British interests*". Saudi Arabia still dismembers and beheads people but, of course, this is not regarded as terrorism.

The aftermath of the Bush/Blair wars of bombing, death and destruction, is the fear of terrorism and the prospect of a 'war on terror' which, according to President Bush, could last for a generation. And this against the background of the fact that the greater part of the world's oil and gas resources are in Islamic countries, the very people they are alienating. Add to this Russia's renewed rocket-testing and nuclear rockets facing Europe, and gas and oil can be seen as a huge motive for conflict.

Central Asian States formerly part of the Soviet Union now have a US military foot in the door. On the 29th June this year, after two deadly car-bombs had been found in the streets of London, the BBC news reported that investigators had checked to see if there had been any trafficking of techniques from Iraq where such madness is a daily occurrence.

The Socialist Party of Great Britain takes the opportunity to repeat our total abhorrence and condemnation of all bombs, whether they come from official governments or illegal terrorists. As Socialists we seek a world of cooperation and harmony, in place of capitalism with its hatreds and wars. The ugly threatening world, with which capitalism confronts the world's workers, demands their urgent attention. The Labour Party supports capitalism - socialists say capitalism must be replaced by Socialism.

As Blair bowed out, reaffirming his support for wars in Afghanistan and Iraq in the name of "*liberation*", it was announced that Afghan opium production was up by 49 per cent in 2006 over 2005, and 70 per cent more than in 2000 (TELETEXT, 26 June 2007).

In the UK, Professor Graham Farrell of Loughborough University said that 3 million offences a year are excluded by the British Crime Survey. And while poverty continues to afflict many millions of single parent families and the elderly, it was reported (TELETEXT, 27 June 2007) that Blair could be paid up to £100,000 a night on the US lecture

circuit and, with City directorships open to him, his memoirs could fetch more than £4 million.

They did not say whether the memoirs would be written in blood from the poor people killed in Blair's war-making or not but, with housing misery widespread among the poor, he and his wife have a house in Connaught Square that has cost £3.65 million. He follows the tradition of leaders who left the workers where they found them and a world where Islam, Christianity and Judaism are used as religious fronts for power-struggles and plunder.

"Towards Equality"?

In a pamphlet called *Towards Equality: Labour's Policy for Social Justice*, the following statements appeared (space prevents us from citing more):

A capitalist income structure stretches from well below the poverty line at the bottom to high and excessive rewards at the top. Long and arduous work is often meanly rewarded while work that is easy and satisfying is generally well paid. To cap it all, the largest incomes in a capitalist society are wholly or substantially unearned (p 11).

In a society as wealthy as ours there is no excuse for poverty. The total of goods and services we produce is more than enough to meet basic human needs... if serious poverty exists today it is not because we are as a nation poor but because we have failed to distribute our wealth in a sensible and decent way (pp 17-18).

The extension of the social services has also helped to mitigate inequalities and even more to diminish poverty (p 11).

Finally, progressive taxation has achieved a considerable redistribution of income within the community. Income tax and surtax have together cut down large incomes to far more modest levels (p 12).

Half the nation own little more than their personal and household effects: one percent of the nation own something like half the nation's wealth (p 19):

So much for redistribution via taxation. These contradictory statements were produced by the Labour Party in 1956. Nearly fifty years later and, in February 2005, after eight uninterrupted years of Blair and Brown in power, 2.14 million people were receiving income support, and wealth inequality was as bad as ever:

23 percent of wealth is owned by 1 percent of the population. The wealthiest 10 per cent own more than half of the wealth in the UK; the wealthiest 50 per cent own 94 per cent of wealth. Statistics show that the wealthy have got wealthier over the last ten years.

SOCIAL TRENDS, 2005

This trend is continuing, as we shall see. Google give various sources for poverty and income (2005 period). They cite the government's own definition of poverty:

... a household is in poverty as having income lower than 60 per cent of the median. According to this definition, 21 per cent of children and pensioners and 14 percent of all adults live in households below the poverty line.

BBC NEWS, 22nd April 2005

The GUARDIAN's annual pay survey (27th August 21 2004), showed that 190 directors in the UK were getting more than £1 million a year:

The average chief executive's pay was £600,000 per annum and had increased by around 13 per cent, three times the rate of pay inflation as a whole.

Teachers were expected to accept a two-year pay deal of 2.5 per cent. Gordon Brown's bid to limit the teachers' rise to 2 per cent brought a strike threat from 260,000 NUT teachers in April 2007. With the inflation rate then admitted to be 4.8 per cent, the independent body that advises the government, "asked permission" to reconsider the deal which represented a 2 per cent cut in real terms.

THE SUNDAY TIMES RICH LIST shows the rich still getting richer. In 2006 you needed £60 million to make it into Britain's top 1,000, but this year you needed £70 million. By contrast, it was reported on TELETXT (17 April 2007) that in England alone this year 2.5 million households will end up in fuel poverty, double the number of three years

ago. Fuel poverty exists where a household cannot afford to keep warm. Age Concern publishes figures that show around 25,000 people dying from the effects of cold each year.

The Office for National Statistics (18 April 2007) reported that unemployment had risen by 21,000 in the three months to February to 1.69 million. Another report (TELETEXT, 13 April 2007) reveals that more than two-thirds of all UK towns are unaffordable to nurses, teachers, police officers, fire-fighters and paramedics. This is double the 36 per cent of towns unaffordable in March 2002 .

In our surveillance-ridden capitalist society, it was announced that Work and Pensions Benefit staff were to use lie-detectors on claimants from May this year. As if to make it seem less offensive we were told that the insurance industry already used them (TELETEXT, 5 April 2007). We understand that there are no such devices in boardrooms where chief executives meet: they might be too revealing.

With 24 per cent of all UK children living in single-parent families, Barnardo's inform us that child-poverty in the UK has doubled since 1979 to well above the European average (official data, 23 May 2007). This shows poverty increasing under both Labour and Tory governments.

By way of a comparison, 61 per cent of MPs think that their £60,000 a year salaries plus an average of £130,000 a year expenses, are not enough. This April's pension rise will mean that a working class couple will get £181.70p basic, up by £3.00. The poorest will get £119.05 weekly.

Barnardo's also report that, in disadvantaged areas, poverty is "*indiscriminate and prevalent*". And for the government to reach its target to halve child poverty by the year 2010, they would need to spend a further £3.8 billion to cut it from 3.4 million to 1.7 million. Barnardo's blame low wages and a 91 per cent increase in the retail price of gas since 2003 and a 60 per cent rise in electricity, for a sharp increase in the numbers living in fuel poverty. The BBC (26 January 2007) reported Shelter (National Campaign for Homeless People) as saying that 400,000 children in London live in over-crowded housing and one in seven across the UK as a whole.

THE SUNDAY TIMES RICH LIST uses such expressive headings as "*wealth goes into orbit*" and "*the wealth explosion*" to convey some idea of how well the very wealthy have done under a Labour government.

Of many examples, the RICH LIST for 2005 says:

The top ten alone in this year's list are worth £52.55 billion, £10 billion more than the top 200 put together 10 years ago

Lakshmi Mittal, number six in the world's top 50 richest, saw his wealth rise from £3.5 billion to £14.8 billion in a year, an increase of 322 per cent. He gave £2 million to the Labour Party in 2005. Another billionaire, Lord Sainsbury: "*Ennobled by Blair, has given £11.5 million to the Labour party over seven years*"(RICH LIST, 2006, p.15).

And, on page 7:

... given the importance of the overseas billionaires in propping up luxury London and the South East; don't expect any government tax crackdown on them.

The Rich List caption for 2007 was "*wealth goes supernova*". The UK's richest 1,000 increased their wealth by nearly 20 per cent to almost £360 billion. The SUNDAY TIMES writer, Philip Beresford said:

This near 20 per cent rise over 2006 is one of the highest annual increases in wealth we have recorded since our first list was published in 1989... The past decade of Labour government under Tony Blair has proved a golden egg for the rich, rarely seen in modern British history... the £261 billion rise in the wealth of today's top 1,000 represents a 263% jump over the past ten years... Britain's super-rich have seen their wealth grow much faster than in Europe or among the world's super-wealthy (p 8).

Mr Beresford concludes that:

The first stirrings of a backlash against the rich and the growing gulf between the have-nots have started to surface (p 9)

We have yet to see any evidence of this. The BBC referring to Labour losses in the elections of 4 May 2007 said that the Labour Party has lost 200,000 members since 1997.

Despair or Socialism

The great tragedy of disillusionment and despair is that workers have yet to learn, from their repeated experience, to reject leaders in favour of majority consciousness for Socialism. The Labour Party continues to delude workers with promises of more futile reforms.

There is only one supreme, all-transcending issue that decides the nature of society and the solution to the major social problems. That is the question of the ownership of the means of production and distribution: whether these means of sustaining humanity are owned by one class to the exclusion of another (the majority) or, what comes to the same thing, ownership by the class-state, or whether they are owned by society as a whole.

This alone determines whether there will be a wages-system, class exploitation, riches and poverty, wars, profits, money and markets, or, given ownership in common by society as a whole, whether all these features of capitalism will disappear and a world, classless society will co-operate to produce solely to meet human needs. This is Socialism. It recognises that capitalism cannot work for the benefit of all people, but only for the owning-ruling class.

It is what a *Socialist* party advocates, day in and day out, year by year, that shows its nature. The war-mongering Labour Party running British capitalism today is entirely in keeping with their origins: within eight years of their formation, they were supporting the slaughter of the workers in WWI.

The failure of reformism to fundamentally affect the nature of capitalism is nowhere more clearly seen, than in the centrepiece of post-war welfare, the National Health Service. The concept of a free health service, with no prescription charges and free spectacles and dental care, has long gone. It was the post-war Attlee Labour government that imposed prescription charges, under the National Health Service Amendment Act of 1949, and in 1951 they passed a further Act imposing charges for Health Service dentures and spectacles. The charges were carried into effect by the Conservatives in 1952.

Today, in every area of health care and administration, cost is the determining factor. Queues form for NHS dentists as more of them opt out of doing NHS treatment. Midwifery is surviving on promises of better things to come, with 1,000 midwives short of the number needed. Hospital bed shortages dictate quicker discharges, and beds also stay empty for want of staff. The NHS pays for private health operations to cut waiting lists, and nurses, after 60 years of the NHS, are still victims of low pay and long hours.

The market-profit economy of capitalism has defeated do-gooder reformism. The basic requirement of the capitalist class is that workers must be kept in a state of health and welfare consistent with being fit enough to produce wealth from which their profits, rents and interest arise.

The establishment of Socialism, the world of common ownership, without war and poverty, awaits the growth of majority working-class awareness. We in the Socialist Party of Great Britain use all our efforts to bring about this growth. Clearly, there will be no help forthcoming from the anti-Socialist Labour Party.

PS: How *Not* To Solve Workers' Problems

After 10 years of 'Labour government, the TUC reports that: "*average English house prices have risen four times as fast as average earnings*" (BBC CEEFAX, 5 September 2007). Translated, this means the average worker is now much poorer than when he/she first foolishly voted this lot into power. Time for 'New' Labour to change its name? And for the workers to organise to end capitalism?

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Think Positive: Think Socialism

Do you see the world as a pint of beer, either half-full or half-empty? How you look at capitalism matters. To resign yourself to the social problems facing society means that the problems will persist or get worse. To want to resolve social problems and to create a social system in which production takes place solely to meet human needs requires active and conscious political action.

Many workers feel trapped by circumstances and unable to influence events. We are born, grow up, work for employers between periodic unemployment, retire and die. The wage or salary appears to be all that matters, and the more money there is the better life will be. Or so we think. To change society fundamentally is thought to be beyond our grasp. We moan about politicians, the state of the environment, pensions, mortgages, rising prices etc., but lose ourselves in commercial sport, the cult of celebrity, and alcohol. What can we do?

Sometimes the simplest way of being politically positive is to start with a clean sheet. We know that, by continuing to use the present tense "*the working class cannot change society*", we begin to accept this as the truth. If, on the other hand, we use the past tense, a world of possibility starts to open up, e.g.:-
I used to think that the working class were powerless to change society but now I see that they have the potential for revolutionary change.

Reflection on the world in which we live, questioning why we live this way, and a search for a change which will solve social problems is a good starting point to becoming a socialist.

Socialists can make a list of what we are currently struggling to achieve

- * Production and distribution commonly owned and democratically controlled by all of society,
- * A classless society of free men and women.
- * Production and distribution engaged in order to meet human needs.
- * Free and voluntary labour.
- * A world system without national boundaries.
- * A perspective on the world and on each other without the superstition of religion, and the poison of racism and nationalism.

Capitalism pretends it can offer choice. Choice, however, for the working class, is very limited. We have to work. The wages we receive are a form of rationing. Wages force workers to consume as an exploited class, not to meet our needs as human beings.

What choices do the working class have? The choice, politically, is very narrow.

EITHER

The working class can carry on voting for politicians with all the problems this wasted vote entails. The working class can continue to be bought off with a cultural diet of celebrity and commercial sport. The working class can disengage from politics, and remain cynical and impotent.

OR

The working class can start to think for themselves, to think in line with their own interests. And this process begins when workers understand that capitalism can never be run in their interests.

Once the working class reject capitalism, the next political step is for the workers to change this anti-social, production for profit system to a Socialist one. This requires a political and conscious engagement, through a principled Socialist party with Socialism as its only object.

Armchair Politics

One of the big drawbacks of Socialist political action is the time it imposes on Socialists. To speak and write on Socialist issues, to go to meetings, to attend demonstrations and conferences - all this takes time and effort.

Some workers see political engagement only through the internet. They propose an armchair politics. They believe they can challenge global capitalism by sitting at a computer. The revolution, they believe, will be seen first in cyberspace. That is fanciful and utopian.

Current internet politics is juvenile. *Adbusters*, for example, an anarchist organisation, has wasted the last ten years challenging capitalism through spoof advertising campaigns, but has not challenged private property ownership, class privilege and class exploitation.

But what success have they had with their politics? None.

Then there is the "*Buy Nothing Day*" campaign which shows an infantile comprehension of commodity production and exchange for profit. What is not questioned, or politically challenged, is the wages system and class exploitation.

This naïve internet politics reached an all time low with Oxfam's "*make poverty history*" campaign where they collected an 'e-petition' of 5 million names. It merely went into the political e-dustbin. Capitalism continued, poverty continued, and the millions of unnecessary deaths through hunger continued.

The internet has its place in spreading socialist ideas. But it is only a Socialist political party which has power and force, and that requires political activity aimed at abolishing private property ownership.

How to Make *Capitalism* History

Political engagement, political effort, the persuasion of the working class to become socialists: all this requires time and effort. Organised politics is the only way in which organised capitalism can be addressed and defeated. The internet and armchair politics plays a part, but only a small part in Socialist politics. Political meetings, political debate and political argument are best pursued in human space, in the real world, not cyber space.

Socialist revolution first comes through class consciousness, an awareness that there is a world working class with a common interest in abolishing capitalism and establishing socialism. The next turn of this revolution is the political action which sends Socialist delegates to parliament to capture the machinery of government. The final turn of the revolution is when production for profit is replaced with production for social use. Only then can capitalism be made history.

Law and Disorder

Up to mid-August this year there had been 18 gun and knife murders in London, and Manchester is not far behind as a gang-run city of violence and killing. With over 80,000 people in prison, the Labour Government cannot build new prisons fast enough, so they have to let some prisoners out early. Prison building obviously conflicts with the need for an estimated 3 million new "*affordable*" houses for poor people.

The heroes of modern capitalism are young men in their late teens who, having been trained to use their guns and other weapons, are killed in Afghanistan or Iraq. In a society that glorifies militarism and war, hypocrisy knows no bounds.

Sadly, pointing out such contradictions to the brain-washed supporters of capitalism in Hyde Park usually produces only the pathetic response that "*Socialism won't work - what about Law and Order*".

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"Good Capitalism, Bad Capitalism"

Letter to The Economist re book review(7 July 2007)

I was surprised by your reviewer who accepted the much repeated cliché about "*the fall of communism*", dating this to the fall of the Berlin Wall (1989). S/he then went on to describe four "*main varieties of capitalism*", asserting that these only had one thing in common: recognition of the right of private ownership.

Surely the hall-mark of capitalism is that it is a system of production for profit, characterised by the wages system. As Marx, that well-known if controversial student of the system, wrote: "*Wage-labour presupposes capital, and vice versa*".

The so-called '*communism/socialism*' of Soviet Russia never abolished the wages system, and was actually a form of capitalism. For instance, the Soviet state traded on world markets. Private property was sanctioned and recognised from the time of Stalin's Constitution (1936), and this enabled the powerful to leave fat legacies to their offspring. As these families were not forced to pay inheritance tax, capital gains tax, etc., they were able to emerge as a privileged, wealthy class, with plenty of private property. Long before the Gorbachov/Yeltsin reforms, there was even evidence of occasional entrepreneurs employing workers in factories, paying them wages, and selling their products, often to state retail organisations.

Land however remained a state monopoly, as it had been under the Tsars, until recent times. As for the peasants, the Stalin era from the time of the first Five-Year Plan saw them driven from the land to become wage-workers, in factories, mines, offices, etc. This meant that agriculture too was run on capitalist lines.

As your reviewer noted, "*state-guided capitalism*" has been useful in many countries needing to speed up economic growth, especially in a "catch-up" situation. That was why Lenin opted for state capitalism on the Prussian model, which he thought was the best way forward, the most efficient way of raising productivity, given the backwardness of the Russian economy. State-directed capitalism is also a feature of war economies, because of the urgent need to increase output in war industries (e.g. Britain in both World Wars).

So far, communism/socialism has never yet been tried, and cannot be said to be less 'efficient' than capitalism which has its own wastefulness and inefficiencies, e.g. the appalling wastefulness of war, not to mention the everyday waste resulting from commercial competition, not to mention poverty and ill-health.

NOTE:

This letter was sent to THE ECONOMIST in July 2007 by a member of the Socialist Party of Great Britain, but it was not published.

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Richard Dawkins: Biology, Evolution and God

Richard Dawkins's book, THE GOD DELUSION (2006), has been a worldwide bestseller, among the best-selling non-fiction paperbacks. At a time when creationism - a.k.a. 'intelligent design' - is taught in some schools as science, and a new 'science' of 'flood geology' has appeared, this book's surprising popularity suggests that there is a real

demand and hunger for books of a serious, challenging nature. Dawkins, as an established scientist (THE SELFISH GENE), is also a talented, lively writer, which makes his book a pleasure to read.

Like other atheists and rational sceptics, he has a refreshing, no-nonsense approach to the Bible and its unbelievable stories. He points out that, as a source of morality, the Bible is so dreadful that even believers select which bits of Bible morality to use, and which to discard. From the Old Testament to the New, the stories and message of the Bible are *"barking mad, as well as viciously unpleasant"* (p 287).

He argues that the 'moral consensus' or *Zeitgeist* (spirit of the age) has changed. What was commonly accepted in the 18th or 19th century would be unacceptable today, e.g. on the role of women, on slavery, etc. But he admits that he cannot attempt to explain why this is so:

It is beyond my amateur psychology and sociology to go any further in explaining why the moral Zeitgeist moves in its broadly concerted way. For my purposes it is enough that, as a matter of observed fact, it does move, and it is not driven by religion - and certainly not by scripture... Whatever its cause, the manifest phenomenon of Zeitgeist progression is more than enough to undermine the claim that we need God in order to be good, or to decide what is good (p 308).

It is unfortunate and almost incredible that this well-read scientist never got acquainted with Marx's historical theory, and the materialist explanation of the social function and evolution of religion. In the 19th century and through most of the 20th century, some important ideas derived from Marx were widely understood.

For instance, Winwood Reade, in his book THE MARTYRDOM OF MAN (1872; Thinkers' Library, 1932), wrote that: *"The character of a god is that of the people who made him"* (p 358).

This view tallies with Marx's theories:

We begin with real, active men, and from their real life-process show the development of the ideological reflexes and echoes of this life-process... Morality, religion, metaphysics, and other ideologies, and their corresponding forms of consciousness, no longer retain therefore their appearance of autonomous existence. They have no history, no development; it is men who, in developing their material production and their material intercourse, change, along with this their real existence, their thinking and the products of their thinking. Life is not determined by consciousness, but consciousness by life.

THE GERMAN IDEOLOGY, 1845-6; see Marx,
SELECTED WRITINGS IN SOCIOLOGY AND SOCIAL PHILOSOPHY, p 90

The character of gods and religion-based morality has indeed changed, reflecting changes in society. Influenced by Marx, Lafargue wrote that:

... it is only by studying the transformation of property and of the modes of production that one has a chance to meet the causes that determined in the human brain the evolution of the idea of the soul and of its posthumous dwelling-place, invented by the savages. Property and the production of the objects necessary to material life have traversed a series of forms which have conditioned the domestic and the political organisation, as well as the manners, the beliefs and the ideas appropriate to them.

THE ORIGIN AND EVOLUTION OF THE IDEA OF THE SOUL, Kerr edition, p 38

Dawkins's book leaves out much of importance. However, on the plus side, he knows about biological evolution, and explains how natural selection is the best explanation for the evolution of an amazing variety and complexity of life-forms, as against the simplistic and mistaken explanations offered by the *"faith-heads"* - either (blind) chance or (intelligent) design.

But what of social evolution?

But Dawkins says nothing of social evolution. His explanation of the evolution of religion seems to be unrelated to changing social conditions.

The memetic theory he relies on, in discussing cultural evolution, is based on an analogy with gene theory. As with

genes, he argues, so with memes (units of culture, e.g. concepts, ideas, myths, values, etc.):

What really happens is that the other genes of the gene pool constitute a major part of the environment in which each gene is selected versus its alleles. Because each is selected to be successful in the presence of others - which are also being selected in a similar way - cartels of cooperating genes emerge. We have here something more like a free market than a planned economy... The idea of cooperating cartels assembled by the invisible hand will turn out to be central to our understanding of religious memes and how they work .(p 229).

Using this dubious analogy with genes and gene pools, Dawkins continues:

Some religious ideas survive because they are compatible with other memes that are already numerous in the meme pool - as part of a memplex... ... as with genes, some memes survive only against the right background of other memes, leading to the build-up of alternative memplexes. Two different religions might be seen as two alternative memplexes...

Religious memes of this kind don't necessarily have any absolute aptitude for survival; nevertheless they are good in the sense that they flourish in the presence of other memes of their own religion, but not in the presence of memes of the other religion. On this model, Roman Catholicism and Islam, say, were not necessarily designed by individual people, but evolved separately as alternative collections of memes that flourish in the presence of other members of the same memplex. Organised religions are organised by people: by priests and bishops, rabbis, imams and ayatollahs. But... that doesn't mean they were conceived and designed by people. Even where religions have been exploited and manipulated to the benefit of powerful individuals, the strong possibility remains that the detailed form of each religion has been largely shaped by unconscious evolution (pp 231-233).

To argue by analogy is often risky. To start with, the way genes evolve has a lot to do with chemistry and chemical interactions. But this cannot be said of Dawkins's 'memes'. He then throws in the idea of "*the invisible hand*", derived from Adam Smith's antiquated economics. Those "*cartels of cooperating genes*" seem to reflect an effort to distance himself from his earlier work, where his phrase "*The Selfish Gene*" led to much confusion and criticism. Mixed metaphors derived from other ideological systems and different sources are a recipe for confusion.

His claim that "*religious memes... are good in the sense that they flourish in the presence of other memes of their own religion, but not in the presence of memes of the other religion*" is questionable. The religious mindset of a believer can transfer its worship and adoration, its sense of guilt, its belief in a deity or creator, and in life-after-death, etc., quite well from one religion - 'memplex' - to another. The survival of religious beliefs - such as the Catholic cult of the Virgin Mary at Lourdes with expectations of miraculous cures - continues alongside other beliefs, such as Protestantism, Scientology, spiritualism and astrology. Christianity, Islam and Hinduism are to be found co-existing, their belief-systems apparently not endangered by the presence of other religions..

As Dawkins comments, a lot of religious belief, which cannot be backed by evidence, is to do with wishful thinking. People believe what they want to believe, and, if they feel they need to have fairies at the bottom of the garden to make them feel easy at night, all the rational science in the world will have an uphill job persuading them that the said fairies just don't exist. For instance, in Dawkins's TV documentary, *The Enemies of Reason* (CHANNEL 4, 13 August 2007), when a scientific experiment was done into dowsing for water, dowsers who were confident beforehand but who in a controlled experiment failed to discover water, afterwards gave a dozen different 'reasons' why it was impossible to get results as expected. One of them even said he thought God was having a joke, refusing to cooperate. None was prepared to give a moment's thought to the possibility that dowsing might have no basis in reality.

"Unconscious evolution"?

However, to mount a critique of religion merely on rational grounds, as Dawkins does, is too easy - after all, religion is not based on reason but on 'faith'. Dawkins claims that:

Organised religions are organised by people: by priests and bishops, rabbis, imams and ayatollahs. But... that doesn't mean they were conceived and designed by people. Even where religions have been exploited and manipulated to the benefit of powerful individuals, the strong possibility remains that the detailed form of each religion has been largely shaped by unconscious evolution.

"One has to ask: where do religions come from? How do they originate? If religions are not "*conceived and designed*" by people, how do they come about? Dawkins gives no answer on this. Nor does he explain what he means by his claim that "*the detailed form of each religion has been largely shaped by unconscious evolution*". Was it down to this "*unconscious evolution*" that makes Christians believe in the dogma of original sin, and Muslims and Christians alike believe in a happy hereafter, life-after-death, "*pie in the sky when you die*"? Dawkins's "*unconscious evolution*" is hardly an explanation.

A better explanation was given by Paul Lafargue (1841-1911), who argued that modern religions, especially Christianity, reflect the uncertainties of the capitalist system:

The capitalist... observes a continual going and coming of wealth, the causes of which are for him within the realm of the Unknowable, and he is reduced to setting down these changes of fortune to chance, to luck... All modern economic development tends more and more to transform capitalist society into one vast international gambling house where the bourgeois win and lose capital, thanks to unknown events which escape all foresight, all calculation, and which seem to them to depend on nothing but chance. The Unknowable is enthroned in bourgeois society as in a gambling house... Anthropologists account for the primitive man's belief in witchcraft, in the soul, in spirits and in God, on the grounds of his ignorance of the natural world: the same explanation holds for the civilised man: his spiritualist ideas and his belief in God should be attributed to his ignorance of the social world.

'Causes of Belief in God', SOCIAL AND PHILOSOPHICAL STUDIES, pp 117-119

Finally, while Dawkins is right to point to the dangerous and divisive role of religious belief as a motive for wars, legitimating all sorts of atrocities, he is wrong to see religion as more than the pretext for such wars:

Religious wars really are fought in the name of religion... A war might be motivated by economic greed, by political ambition, by ethnic or racial prejudice, by deep grievance or revenge, or by patriotic belief in the destiny of a nation. Even more plausible as a motive for war is an unshakeable faith that one's own religion is the only true one, reinforced by a holy book that explicitly condemns all heretics and followers of rival religions to death, and explicitly promises that the soldiers of God will go straight to a martyrs' heaven (p 316).

Wars may indeed be fought in the name of all sorts of 'good causes' - often it is freedom and democracy, or nationalism. And from all sides it is always confidently claimed that God will give "*us*" victory. But nowadays it is obvious to all and sundry that capitalism's wars are fought over real, economic and material, interests. Wars that seem to be about religion are simply an unresolved struggle for power, as in Northern Ireland. In today's world, running out of oil, most recent wars have been clearly motivated by governments' fierce determination to control key Middle East oil reserves.

Dawkins quotes from the Irish playwright, Sean O'Casey: "*Politics has slain its thousands, but religion has slain its tens of thousands*" (p 268). Socialists would add that, worst of all, is the class system which kills silently, by the million, and does so in peacetime as lethally and ruthlessly as in wartime, killing by poverty, hunger and disease. All in the name of profit. But, on this, Professor Dawkins is curiously silent.

MARX ON THE CREDIT SYSTEM

The credit system appears as the main lever of overproduction and overspeculation in commerce solely because the process of reproduction, which is elastic in its nature, is here forced to its extreme limits, and is so forced for the reason that a large part of the social capital is employed by people who do not own it and who push things with far less caution than the owner, who carefully weighs the possibilities of his private capital, which he handles himself. This simply demonstrates the fact, that the production of values by capital based on the antagonistic nature of the capitalist system permits an actual, free, development only up to a certain point, so that it constitutes an immanent fetter and barrier of production, which are continually overstepped by the credit system. Hence the credit system accelerates the material development of the forces of production and the establishment of the world market. To bring these material foundations of the new mode of production to a certain degree of perfection, is the historical mission of the capitalist system of production. At the same time credit accelerates the violent eruptions of this antagonism, the crises, and thereby the development of the elements of disintegration of the old mode of production.

On one side, [the credit system] develops the incentive of capitalist production, the accumulation of wealth by the appropriation and exploitation of the labour of others, to the purest and most colossal form of gambling and

swindling, and reduces more and more the number of those, who exploit the social wealth. On the other side, it constitutes a transition to a new mode of production. It is this ambiguous nature, which endows the principal spokesmen of credit from Law to Isaac Pereire with the pleasant character of swindlers and prophets. Capital, Vol. III, chap. 27

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Crisis, Panic and 'Financial Meltdown'

When reporting the ups and downs of the world of finance, journalists usually make this sound technical and boring. But in early August, following a period of anxiety and foreboding, suddenly it seemed as if an earthquake had happened. Even the *ECONOMIST*, dedicated to the cause of free trade and *laissez-faire*, a staunch supporter of free enterprise and entrepreneurial capitalism, reported on "*the deepening economic gloom*" (11 August 2007). The *DAILY TELEGRAPH* headlined the issue: "*City hit by biggest crisis for a decade - Shares slump amid worldwide panic*" (11 August). Its Economics Editor, in a front page article, wrote of "*a spiral of fear*". As Stock Exchanges worldwide reported huge amounts of panic selling, it seemed as if, suddenly, bankers, pension fund managers, investment trusts and others who make a lush living as parasites on the capitalist system, and who have for so long praised the achievements of globalisation: as if, suddenly, they had all realised that the thin ice they were skating on was cracking.

It was clear, for months before, that the stock market boom was coming to an end. Yet banks were still competing for market share. That was why in Britain banks like the Halifax (now HBOS) were still issuing credit cards with 0% interest, even at the time of this crisis. That had been why, in 2003 when American interest rates were only 1%, American banks were offering mortgages and loans "to any Tom, Dick or Hank":

Many of these mortgages were snapped up by people living in Florida trailer parks and other poor areas.

Unfortunately, rates are now 5.25% and many of these people cannot afford to pay back their mortgages. Such a large number of houses are being repossessed in America that it is cheaper to buy a property than it is to buy a car in some parts of the country.

DAILY TELEGRAPH, 11 August

In Britain the same picture was emerging earlier this year. In the first six months of 2007, it was reported that home repossessions had risen by 30 per cent compared with the same period in 2006, personal bankruptcies had also risen, and that there was a "*mountain of debt*" (*INDEPENDENT*, 4 August). Household debt in Britain is said to be at a record level, at 160% of disposable household income (*DAILY TELEGRAPH*, 11 August). This was at a time when the Bank of England, obsessed with the mistaken idea that higher interest rates would be the only way to keep inflation down, had raised interest rates significantly during 2007.

Marx argued that at the root of crises was working-class poverty:

The last cause of all real crises always remains the poverty and restricted consumption of the masses as compared to the tendency of capitalist production to develop the productive forces in such a way, that only the absolute power of consumption of the entire society would be their limit.

CAPITAL, VOL. III, chap. 30

Banks had been lending in a speculative, high-risk, way for several years. The 'sub-prime' mortgages; the NINJA loans - to borrowers with no income, no job and no assets - were part of that picture.

Since these loans were clearly likely to be risky, the game was on to find ways of passing the parcel. So these lenders tried to find other banks and speculative investors to take the risk off their hands. Like a medicine for children, which they will take if it is sweetened to make it taste nice: likewise these nasty, high-risk loans could be sold on to other banks, provided they were wrapped up in a bundle with other, nicer, low-risk deals. American banks did just this with the result that banks in many countries, in Europe and Asia, suddenly found themselves holding onto dodgy "*collateralised debt obligations*".

As the DAILY TELEGRAPH's Economics Editor, Edmund Conway, wrote (11 August):

Quite how a struggling US family failing to pay their mortgage affects hedge fund managers in Mayfair is actually relatively simple. The loans taken out by these households - often described as sub-prime - are usually sold on to other investors, who are then effectively collecting the monthly payments. When families stop paying them back, this causes problems not just for the companies that issued them but also for the investors who bought the collection rights. Given that these investors stretch across the globe, many fingers have been burnt.... Added to this these loans are often grouped together into collateralised debt obligations, which are so complex that few who actually own them understand what they comprise or how much they are worth.

The huge amount of money involved - possibly around \$2.5 trillion of 'collateralised debt obligations' (CDOs) of various sorts - is what frightens the banks and investment houses. Even more so since they clearly have, at best, only the faintest notion of how much their 'investments' are risks, not assets.

What is more, the use of credit rating agencies, which investors used to rely on to avoid risky investments, has proved a broken reed. Many of the NINJA loans, when disguised and bundled with other deals, qualified as triple A rated investments. (AAA is the highest possible credit rating). That way pension fund managers were sucked into effectively "buying a pig in a poke". It was estimated that the 200 largest UK private pension funds lost £16 billion in just two days, after which they had a deficit of £17 billion.

Banks and "Private Speculations"

As if all this housing market and mortgage misery was not enough, a number of banks had been lending to private equity firms. These outfits - the cowboys of the City - had been energetically taking over many well-established companies, small and large, including such well-known names as Boots the Chemist and the AA (Automobile Association).

The way they operated was to raise funds by borrowing and, by canny buying with borrowed funds, made astronomical amounts of money for themselves.

It no doubt helped that a company which had previously been listed on the Stock Exchange and subject to outside scrutiny and regulation was suddenly cloaked behind the opaque curtain of a '*private equity*' outfit. Company directors are often none too scrupulous and many have been caught dipping their fingers in the till - the latest such case being Conrad 'Lord' Black, he of the very lavish lifestyle. Incidentally, similar points were made by Marx, when reporting on a House of Commons report on the Crisis of 1857-58:

... the revelations contained in the Committee's report reflect a rather dismal light on the morality and general conduct of joint-stock trading concerns... This case presents... the peculiar feature of a joint-stock bank being eaten up with the single view to improving the private speculations of one of its managing directors.

The Commons report argued that the crisis had been "*mainly owing to excessive speculation and abuse of credit*". Marx argued that the problem was systemic:

For a system of fictitious credit to spring up, two parties are always requisite - borrowers and lenders. That the former party should at all times be eager that trading upon the other party's capital, and endeavour to enrich themselves at other people's risk, seems so exceedingly simple a tendency that the opposite one would bewilder our understanding.... What are the social circumstances reproducing, almost regularly, these seasons of general self-delusion, of over-speculation and fictitious credit?

Marx, DISPATCHES FOR THE NEW YORK TRIBUNE, Penguin, pp 200-204

Since then, the history of capitalism with its periodic crises and panics indicates the second point was correct. What Marx referred to as "fictitious credit" is clearly a feature of the current crisis, even if not its ultimate root cause.

In a system of production, in which the entire connection of the process of reproduction rests upon credit, a crisis must obviously occur through a tremendous rush for means of payment, when credit suddenly ceases and nothing but cash payment goes. At first glance, therefore, the whole crisis seems to be merely a credit crisis and money crisis..
CAPITAL, VOL. III, chap.30

THE ECONOMIST, usually so ebullient and confident about capitalism, especially the entrepreneurial, free market and free trade sort, is not content with pointing only to the sub-prime mortgage market and consumer debt problems: possibly a full-blown recession may be looming up. With the US housing slump came a fall in consumer spending, including a decline in car sales; the unemployment rate in July had risen due to involuntary job losses; and at the same time *"unit labour cost ... rose by an alarming 4.5% in the year to the second quarter"*. As a Merrill Lynch expert pointed out, *"there was a similar surge in unit wage costs at the end of 2000, on the eve of recession and big [interest] rate cuts"* (11 August 2007).

This last point had been noted by Marx. He had seen how, immediately prior to a crisis and a downturn in the trade cycle, was the point at which (real) wage rates were at their highest since booms are periods when there is a high demand for labour. Marx would also have been interested in the recent report that profit rates, at 7 per cent, were at *"their highest ever"* (ECONOMIST, 21 July 2007). From rising to a record high, there is only one way - and that is down. An expectation of falling rates of profit might well be a trigger for a withdrawal of capital, hence falling prices on the Stock Exchanges.

Still, nothing daunted, the ECONOMIST stuck to its guns and insisted that, even if a recession was looming up, it was more important to battle against inflation.

Inflation is still the Fed's biggest worry, as it ought to be, although the concern about the housing downturn is increasing. The deepening economic gloom may well mean that it will eventually have to cut interest rates to arrest a sharper downturn. But for now, the right thing... to do is to keep standing firm.

Such is the power of monetarist dogmatism that, even in the face of what looks like a serious crisis, with slackening demand and rising unemployment, the ECONOMIST sticks to the same line: low interest rates would mean rising prices, hence inflation, and the only way to avoid that is by keeping interest rates high. This mistaken belief in the efficacy of interest rates as a counter to inflation means that these 'experts' are utterly unable to explain how you can have stagnation of the economy at the same time as there is inflation - something previously described as *"stagnation"*. What monetarists cannot explain is what causes inflation. For this, see Marx's explanation in CAPITAL, particularly his description of what would happen to prices if large amounts of paper money (currency) were to be flooding the system. But then, the ECONOMIST disapproves of Marx, just as much as, in his time, Marx disapproved of the ECONOMIST.

The economists' business cycle theory; which makes its appearance in THE ECONOMIST and the financial pages of the media, denies any problems within commodity production since economists hold to a fallacious 'equilibrium' theory in which markets supposedly clear under the law of supply and demand. The business cycle theory favoured by the ECONOMIST, for example, is associated with the expansion and contraction of credit, which implies, wrongly, that interest rates can be used as an instrument to control crises or, if used wrongly by Central Banks or governments, can cause crises.

However Marx pointed out that there were limits to what could be done by governments to iron out the creases in capitalism:

That means of payment are scarce during the period of crisis, goes without saying.... An ignorant and mistaken legislation, such as that of 1844-45, may intensify a money crisis. But no manner of bank legislation can abolish a crisis.

CAPITAL, VOL. III, chap. 30

Though monetary crises occur within the circulation process, and cannot be explained fully without discussing credit, interest rate, money markets and so on (as Marx did in chapter 5 of CAPITAL VOLUME III), the root cause of all crises is in the production of surplus value. Once an adequate surplus value or profit rate is not forthcoming, monetary adjustments cannot prevent capitalist crises.

Capitalism's Anarchy

After the Enron, World-Com and other scandals, a former derivatives trader and analyst, Frank Partnoy, argued that the financial markets were out of control:

... any appearance of control in today's financial market is only an illusion, not a grounded reality... The truth is that the markets have been, and are, spinning out of control. ... The relatively simple markets [of the 1980s]... had radically changed by 2003... The largest markets were private, and didn't touch regulated exchanges at all. Financial derivatives were as prevalent as stocks and bonds, and nearly as many assets and liabilities were off balance as on. Companies' reported earnings were a fiction... In just a few years, regulators had lost what limited control they had over market intermediaries, market intermediaries had lost what limited control they had over corporate managers, and corporate managers had lost what limited control they had over employees. This loss-of-control daisy chain had led to exponential risk-taking at many companies, largely hidden from public view.

Frank Partnoy, INFECTIOUS GREED - HOW DECEIT AND RISK CORRUPTED THE FINANCIAL MARKETS (2003), pp 3-4

With the use of computers and the Internet, with worldwide trading round the clock, with ever more complex new 'instruments' such as derivatives and many varieties of 'swaps', with the increasing importance of hedge funds used to disguise and shield banks from risk, Partnoy argued that it was impossible for regulation to be effective. Add to this, so many investors were unaware of how the information they were being fed about their investments and about companies' profits was often simply fraudulent. Add to this, too, the declining number of auditors and their increasing collaboration with and dependence on major companies, for whom they often act as consultants, so that conflict of interests had become endemic to the system.

Partnoy's book title came from an impeccable source: Alan Greenspan, in his testimony to the Senate Banking Committee (16 July 2002), had argued that:

An infectious greed seemed to grip much of the business community... It is not that humans have become more greedy than in generations past. It is that the avenues to express greed have grown so enormously.

The financial markets, with their fat cat City bonuses, are simply a glorified super-casino: even the ECONOMIST (11 August 2007) wrote of how one bank had "*stayed at the blackjack table too long*". Such is finance capitalism - a very dodgy, risky gamble.

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Object and Declaration of Principles

Object

The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and in the interest of the whole community.

Declaration of Principles

THE SOCIALIST PARTY OF GREAT BRITAIN HOLDS:

1. That society as at present constituted is based upon the ownership of the means of living (ie land, factories, railways, etc.) by the capitalist or master class, and the consequent enslavement of the working class, by whose labour alone wealth is produced.
2. That in society, therefore, there is an antagonism of interests, manifesting itself as a class struggle, between those who possess but do not produce and those who produce but do not possess.

3. That this antagonism can be abolished only by the emancipation of the working class from the domination of the master class, by the conversion into common property of society of the means of production and distribution, and their democratic control by the whole people.
4. That as in the order of social evolution the working class is the last class to achieve its freedom, the emancipation of the working class will involve the emancipation of all mankind without distinction of race or sex.
5. That this emancipation must be the work of the working class itself.
6. That as the machinery of government, including the armed forces of the nation, exists only to conserve the monopoly by the capitalist class of the wealth taken from the workers, the working class must organise consciously and politically for the conquest of the powers of government, national and local, in order that this machinery, including these forces, may be converted from an instrument of oppression into the agent of emancipation and the overthrow of privilege, aristocratic and plutocratic.
7. That as all political parties are but the expression of class interests, and as the interest of the working class is diametrically opposed to the interests of all sections of the master class, the party seeking working class emancipation must be hostile to every other party.
8. The Socialist Party of Great Britain, therefore, enters the field of political action determined to wage war against all other political parties, whether alleged labour or avowedly capitalist, and calls upon the members of the working class of this country to muster under its banner to the end that a speedy termination may be wrought to the system which deprives them of the fruits of their labour, and that poverty may give place to comfort, privilege to equality, and slavery to freedom.

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email: enquiries@socialiststudies.org.uk | www.socialiststudies.org.uk